GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:802
ANSWERED ON:03.03.2008
IRREGULARITIES IN PDS
Gandhi Smt. Maneka;Gangwar Shri Santosh Kumar;Mandal Shri Sanat Kumar;Mehta Shri Bhubneshwar Prasad;Nikhil Kumar Shri ;Owaisi Shri Asaduddin;Rao Shri Kavuru Samba Siva;Sarma Dr. Arun Kumar;Singh Shri Ganesh

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the Government has received complaints regarding irregularities and diversion of foodgrains and other commodities meant for distribution under Public Distribution System (PDS), Targeted Public Distribution System (TPDS) and Antyodaya Anna Yojna (AAY);

(b) if so, whether recently a study was conducted by National Council of Applied Economic Research (NCAER) in this regard;

(c) if so, the details thereof indicating the main findings of NCAER alongwith the number of complaints of irregularities and diversion received during each of last three years, year-wise;

(d) whether the Government proposes to overhaul and streamline the PDS or introduce a new System to ensure that subsidised foodgrains reach the targeted weaker sections of the society;and

(e) if so, the details thereof indicating the changes proposed to be made in the system?

Answer

MINISTER OF STATE IN THE MINISTRY OF AGRICULTURE AND MINISTER OF STATE IN THE MINISTRY OF CONSUMER AFFAIRS, FOOD & PUBLIC DISTRIBUTION (DR. AKHILESH PRASAD SINGH)

(a): Yes, Sir. Complaints have been received from individuals and organizations, as well as through press reports about diversion of PDS commodities. All the complaints have been sent to concerned State and UT Governments for inquiry and action.

(b)&(c): Yes, Sir. National Council for Applied Economic Research (NCAER) conducted a concurrent evaluation of TPDS during the year 2006-07 in six states namely Assam, Bihar, Chhattisgarh, Rajasthan, Mizoram and Uttar Pradesh.The NCAER has submitted its Report to government recently. Findings of the Reports are enclosed as annexure I.Details of complaints received from individuals and organizations, and through Press reports during last three years are as under:-

2005		2006		2007	
Complaints	Press Reports	Complaints	Press Reports	Complaints	Press Reports
5	-	20	11	33	24
5		31		57	

(d) & (e): The TPDS system is got evaluated from time to time for strengthening it. The Government has taken a series of measures to streamline TPDS. Programme Evaluation Organization (PEO) of Planning Commission, and ORG MARG, New Delhi evaluated the Targeted Public Distribution System and submitted their reports in 2005.Based on findings of these studies, a Nine Point Action Plan is already under implementation by State and UT Governments. A copy of the said Action Plan is enclosed at Annexure-II. Its implementation is monitored by the Central Government. Additionally, a revised Citizens` Charter has been issued recently for adoption and implementation by State/UT Governments for facilitating use by citizens of provisions of Right to Information (RTI) Act, 2005 in relation to functioning of TPDS.Furthermore, to ensure that TPDS foodgrains reach the targeted families and to minimize scope for their diversion, APL allocations have been rationalized. Concurrent evaluation of TPDS has been taken up. Training Programmes for TPDS functionaries and Awareness campaign for TPDS beneficiaries are being taken up. Computerization of TPDS has been initiated. Use of new technologies such as Global Positioning System is being piloted. Revised policy on distribution of wheat flour has been issued. In view of the strengthening of existing TPDS, there is no such proposal to introduce a new system.

ANNEXURE-I

ANNEXURE REFERRED TO IN REPLY TO PARTS (b) AND (c) OF THE UNSTARRED QUESTION NO. 802 DUE FOR ANSWER ON 03.03.2008 IN THE LOK SABHA

FINDINGS FROM CON CURRENT EVALUATION OF THE TPDS BY NCAER

The main objective of the study was to examine the extent to which foodgrains disbursed under TPDS were actually reaching the BPL and AAY categories of population in the country and to identify the incidence as well as the mode of irregularities in the system. The study was carried out with the help of primary survey. Six states namely, Assam, Mizoram, UP, Bihar, Chhattisgarh and Rajasthan were selected for the primary survey. A total number of 6000 households (one thousand for each state) were surveyed consecutively for 6 months period for detailed information. The purpose of surveying same households repeatedly for six times was to check the regularity of the delivery of PDS and its other efficiency indicators. The BPL and APL samples were drawn in the proportion of 80 and 20, respectively. The main findings of the study are the following:

The delivery mechanism of PDS was found more effective in four of the six selected states where more than 80 percent of the below poverty households obtained their entitled quantity of cereals quite regularly. The delivery was very poor in Bihar and less than satisfactory in Assam (see Table 1). The entitlement of food for below poverty households including that of Antyodaya families was fixed at 35 kgs., either for wheat/rice or combination of these two. In the selected states, majority of the below poverty households received close to the fixed entitlement of these two cereals except in the case of Mizoram, where a majority of the poor households obtained around 25kgs of rice. The food distributed through PDS could meet 2/3rd share of the total food requirement of the poor except in the case of Bihar where it could fulfil only 1/3rd food requirement of the poor. The price charged for PDS food was close to Rs. 2 per kg for wheat and Rs. 3 per kg for rice for majority of Antyodaya families. Similarly, for the other below poverty households, in majority of the cases, price paid was close to the stipulated price. However, among a few households, higher than the stipulated prices were paid because shop-keepers passed on the transportation charges to the households.

Reporting quality of grains distributed, a majority of the households were satisfied with the quality of grain supplied in almost all the states except Bihar. In Bihar, more than 70 percent households were not happy with the quality supplied through government shops. Presence of impurities, insect infested supply, broken grains and very bad taste of the grains were the common reasons for their dis-satisfaction. Similar problems were quoted by the discontented households in the other states also. Household rated the performance of TPDS during the periods of distress as satisfactory or highly satisfactory in Chhattisgarh, Assam and Mizoram. It was satisfactory in Rajasthan and Uttar Pradesh, while in Bihar, around half of the interviewed households rated it poor or very poor.

Although delivery of grains was found working well in majority of the selected states, flaws in identification of target groups were noticed in all the selected states. Along with problems of identification, excess number of cards issued and huge amount of diversion of food was found among most of the selected states. Using the census data and the number of cards issued based on the secondary sources (Ministry of Food), number of excess cards/unidentified families were calculated for all the states as well as for the all India. The number of excess cards issued was very high in Uttar Pradesh, Rajasthan, Madhya Pradesh and Haryana. The total number of excess cards issued at all India were more than 2 crore. Similarly, unidentified families without having any card aggregated at 1.2 crore at the all India level. The study calculated excessive targeting (inclusion of non poor) and failure of targeting (exclusion of poor from the subsidy) errors for all the states as well as all India using the same sources. The exclusion of poor from the subsidy scheme was highest in Goa and Uttranchal where the TPDS failed in targeting up to 30 percent. The inclusion of non-poor in the subsidized food was a much more sever problem and the incidence was found occurring in almost all the states. At the all India level, inclusion error was up to 25 percent as number of BPL cards issued were 9.7 crore in comparison to only 5.8 crore existing families. By comparing the observed per capita income and expenditure from our survey data with the Planning Commission cut-off income for poverty, the extent of inclusion and exclusion errors was worked out (for the selected states). The average income and expenditure criterion indicated that inclusion error was highest around 75 percent in Mizoram, 50 to 60 percent in Assam, around 50 percent in Rajasthan and Bihar, around 35 percent in Chhattisgarh and 20 to 30 percent in Uttar Pradesh. On the exclusion error, the data indicated that the phenomenon of poor households being not issued a below poverty card was minimum in the North-Eastern states, less than 15 percent, followed by Uttar Pradesh, Bihar, Chhattisgarh and Rajasthan.

In addition to the incidence of mis-targeting, there was some proportion of food that was not being actually distributed among any of the households but it was shown in the state records as uplifted. Therefore, we can presume that foodgrains not distributed but withdrawn from the state accounts were being diverted to the black market or in the open market or may be distributed among the non-poor people at a higher price. Among the selected states, diversion of Antyodaya food was found in two states namely, Bihar and Mizoram. The magnitude of diversion was estimated up to 41 percent for wheat in Bihar and 36 percent for rice in Mizoram. In the case of other below poverty households, almost all states had the incidence of diversion, except Rajasthan. The diversion was highest in Assam and Mizoram in rice, and Bihar and Chhatisgarh in wheat. In all these cases, diversion was up to 40 percent of total offtake. In the case of food designated for the above poverty households, the whole amount of wheat offtake and more than 80 percent of rice offtake were diverted in the two North-Eastern states of Assam and Mizoram. In the other four states diversion of food for APL households was found only in Chhattisgarh (see Table 2).

Thus, study portrays a mixed picture. On the one hand, food was being delivered to the poor quite regularly during the survey period in majority of the selected states. The fact that poorest of the poor do obtain their entitlement quite regularly indicates allocative efficiency of the PDS system including that of fair price shops. On the other hand, deeper probing revealed gross irregularities indicating large-scale identification errors, excess cards issued and widespread diversion of food entitled for the poor. These issues need to be corrected if the functioning of the PDS system is to be improved. The correct identification of the beneficiary is the first step in that direction. Although, attempts have been made to decentralize the identification process by involving the Panchayats and other Local Bodies, the latter process has also to some extent politicized the whole process of identification of the poor. This is happening because of complete lack of monitoring of the system (of identification) at any stage. Given the ground reality, it would not be possible to improve the PDS system unless the consumer especially the poorest ones become aware of their rights. The problem of identification error arises because of lack of information/awareness among the poor about the eligibility criteria for the AAY or BPL or any other welfare schemes for that matter. The people in the lower strata seems to be unaware of the criteria being followed in issuing AAY, BPL or APL card. It would not be possible to improve this system unless the consumers are properly educated on these issues. For this purpose mass information system like local language newspapers, regional radio and television stations should be used to keep the villagers informed and updated about the criteria, entitlement, price of PDS grains etc. Proper monitoring of the system and effective punishment against the culprit for wrong identification would be needed. It would be more appropriate if there are multiple authorities cross checking the identification. In the long run, distribution system should be computerized and all FPS and civil supply godowns should be connected online. This will bring more efficiency and transparency in the system and reduce the scope for diversion of benefits away from the beneficiaries.

Table 1: Percentage of households obtaining their entitlement of cereals in the selected states during 6 months of survey period

	Rajasthan	Chhattisgarh	Uttar Pradesh	Bihar	Assam	Mizoram
Antyodaya families	91.3	94.7	92.8	55.3	61.9	88.9
Other below poverty households	90.7	95.8	85.8	36.3	66.7	85.4

Table 2: Diversion of food in the selected states (Percentage of off-take)

	Rajasthan	Chhattisgarh	Bihar	UttarPradesh	Assam	Mizoram
Antyodaya families						
Rice	0.0	0.0	0.0	0.0	1.5	36.2
Wheat	0.0	0.0	41.4	0.9	0.0	0.0
Other below poverty households						
Rice	0.0	1.0	0.0	8.3	45.0	37.4
Wheat	0.0	42.3	46.9	20.7	0.0	0.0
Above poverty households						
Rice	0.0	0.0	0.0	0.0	83.3	81.1
Wheat	0.0	78.3	0.0	0.0	100.0	100.0

ANNEXURE-II

ANNEXURE REFERRED TO IN REPLY TO PARTS (d) AND (e) OF THE UNSTARRED QUESTION NO. 802 DUE FOR ANSWER ON 03.03.2008 IN THE LOK SABHA

9-Point Action Plan

(i) Continuous review of the BPL and AAY lists to eliminate bogus ration cards and to ensure coverage of only eligible BPL and Antyodaya families.

(ii) Ensuring leakage -free and diversion-free distribution of PDS commodities, regular inspection by different levels of functionaries, strict action against guilty persons/agencies.

(iii) Involvement of Panchayati Raj Institutions in PDS operations - PRI representatives on Advisory Committee, running of fair price shops by Panchayats and effective representation of Panchayati Raj representatives on Vigilance Committees.

(iv) Ensuring transparency in working of PDS, display of BPL and AAY lists by fair price shops, observance of notified timings by fair price shops.

(v) Use of Information Technology, Computerization of TPDS operations, display of fair price shop-wise and district wise allocations of PDS commodities on web-sites for public scrutiny.

(vi) Carryout door-step delivery of PDS commodities to fair price shops.

(vii) Ensuring timely availability of and issuance of foodgrains by fair price shops.

(viii) Creating awareness among public about PDS operations, training Vigilance Committees of intricacies of PDS operations.
(ix) Making fair price shops financially viable entities - allowing them to sell non PDS items etc.